

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 STR-07 SSO-00 NSCE-00 ICAE-00
INRE-00 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03
NSAE-00 PA-01 SP-02 SS-15 AID-05 COME-00 EB-08
FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01
OMB-01 /084 W

-----059205 181518Z /43

O R 181435Z APR 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1555
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY LONDON
AMEMBASSY NICOSIA
AMEMBASSY PARIS

C O N F I D E N T I A L ANKARA 2992

USEEC, USOECD

LONDON FOR AMBASSADOR SPIERS

E.O. 11652: GDS
TAGS: EFIN, TU, IBRD
SUBJECT: GOT TALKS WITH COMMERCIAL BANKS

REF: ANKARA 2951, B) ISTANBUL 910

1. AYSEL OYMEN, GENERAL DIRECTOR (FOREIGN FINANCING),
MINISTRY OF FINANCE, PROVIDED EMBOFFS APRIL 17 WITH HER
VERSION OF THE RESULTS OF GOT TALKS WITH SIX INTERNATIONAL
BANKS HELD IN ANKARA, APRIL 14-15. (FOR BANKERS' VERSION
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SEE REF A.) TALKS CENTERED ON REFINANCING \$2.49 BILLION
OF SHORT-TERM DEBT INCLUDING: \$475 MILLION IN BANKERS' CREDITS,
\$1.657 BILLION IN CONVERTIBLE TURKISH LIRA DEPOSITS (CTL'S)
FALLING DUE IN 1978 AND SHORTLY THEREAFTER, AND \$358 MILLION
IS OVERDUE CTL'S. AN ADDITIONAL \$400 MILLION IN CTL'S
HELD BY TURKISH CITIZENS RESIDING IN TURKEY WAS NOT INCLUDED
IN THE RESCHEDULING. CENTRAL BANK OVERDRAFTS WERE ALSO

NOT DISCUSSED AS IT WAS AGREED THAT EACH INDIVIDUAL BANK WOULD RESOLVE THESE.

2. BANKERS' CREDITS WILL BE RESCHEDULED AS SEVEN-YEAR TERM LOANS WITH THREE YEARS' GRACE. MRS. OYMEN SAID THAT INTEREST RATES WERE NOT DISCUSSED.

3. THE BANKS PRESENTED TWO OPTIONS FOR DEALING WITH CTL'S. THE FIRST WOULD CONVERT THE DEPOSITS INTO A SEVEN-YEAR TERM LOAN WITH THREE YEARS' GRACE. THE SECOND WOULD CONVERT THE CTL'S FROM SHORT-TERM DEPOSITS TO LONGER TERM DEPOSITS. THE BANKS PROPOSED THAT ONE-THIRD OF THE CTL'S FALLING DUE THIS YEAR WOULD BECOME FOUR-YEAR TIME DEPOSITS, ONE-THIRD FIVE-YEAR DEPOSITS, AND ONE-THIRD SIX-YEAR DEPOSITS. THE TURKS MODIFIED THE SECOND OPTION TO SPREAD OUT THE MATURITIES, ASKING INSTEAD THAT ONE-FOURTH OF THE CTL'S FALLING DUE BECOME FOUR-YEAR DEPOSITS, ONE-FOURTH FIVE-YEAR DEPOSITS, ONE-FOURTH SIX-YEAR AND ONE-FOURTH SEVEN-YEAR. THE GOT HAS NOT YET DECIDED WHICH OF THE TWO OPTIONS IT PREFERS. AS WITH THE BANKERS' CREDITS, NO INTEREST RATES WERE DISCUSSED.

4. OYMEN SAID THAT THE BANKS WOULD TRY TO FORM A SYNDICATE TO RAISE BETWEEN \$300 - 600 MILLION IN NEW EURO-MONEY AS A FIRST EFFORT. SHE CLAIMED THEY WERE SURE THEY COULD RAISE AT LEAST \$300 MILLION. GOT HOPES THAT IT WILL BE CONFIDENTIAL

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POSSIBLE TO DISBURSE THIS CREDIT DURING THE SUMMER. SHE ACKNOWLEDGED, HOWEVER, THAT THE SIX BANKS DID NOT ASK FOR A MANDATE TO ORGANIZE A SYNDICATE. FINANCE MINISTER MUEZZINOGLU AND OYMEN WILL CONTINUE TALKS WITH THESE BANKS ON NEW CREDITS; THEY PLAN TO GO TO NEW YORK, LONDON, ZURICH AND FRANKFURT AFTER ATTENDING THE IMF INTERIM COMMITTEE MEETING IN MEXICO CITY, APRIL 28. RESCHEDULING OF \$1.7 BILLION IN TRADE ARREARS, WAS NOT FORMALLY DISCUSSED ALTHOUGH OYMEN THOUGHT THAT UNION BANK OF SWITZERLAND AND CITIBANK MIGHT BE ABLE TO WORK SOMETHING OUT FOR AT LEAST A PART OF THE UNGUARANTEED ARREARS. GUARANTEED ARREARS WOULD HAVE TO BE HANDLED THROUGH THE OECD.

6. OYMEN AGAIN EMPHASIZED THAT TURKEY DID NOT WANT TO RESCHEDULE DEBT UNDER A PARIS CLUB ARRANGEMENT AS THIS WOULD BE ANATHEMA TO THE COMMERCIAL BANKS. (REF B) EMBOFFS REITERATED THE DIFFICULTIES THE U.S. MIGHT ENCOUNTER WITH DEBT RESCHEDULING UNDER THE RUBRIC OF THE OECD CONSORTIUM FOR ASSISTANCE TO TURKEY.

7. COMMENT. THE TURKS ARE JUSTIFIABLY PLEASED THAT THEY HAVE REACHED AGREEMENT IN PRINCIPLE ON RESCHEDULING

A LARGE PART OF THEIR SHORT-TERM DEBT. THEY WILL PROBABLY BE USING THE COMMERCIAL BANKS' ACCEPTANCE OF A THREE-YEAR GRACE PERIOD AND SEVEN-YEAR REPAYMENT TERMS AS A BARGAINING POINT IN NEGOTIATIONS WITH OFFICIAL CREDIT GUARANTEE AGENCIES IN THE OECD. FURTHER TALKS WITH THE SIX BANKS WILL BE NECESSARY AS UNRESOLVED ISSUES REMAIN ON THE FORM OF CTL RESCHEDULING, INTEREST RATES TO BE CHARGED, AND THE NATURE AND TIMING OF THE BANKS' EFFORTS TO ORGANIZE A EUROCURRENCY SYNDICATE FOR TURKEY.

8. OYMEN PROMISED TO PROVIDE EMBASSY WITH A COPY OF ECONOMIC PROJECTIONS GIVEN BANKERS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMERCIAL BANKS, CONSULTANTS, MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA02992
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780165-1079
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780447/aaaabnod.tel
Line Count: 128
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7a3d88ac-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ANKARA 2951, 78 ISTANBUL 910
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2939089
Secure: OPEN
Status: NATIVE
Subject: GOT TALKS WITH COMMERCIAL BANKS
TAGS: EFIN, TU, IBRD
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/7a3d88ac-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014